

# Uruguay

## Economic Summary



Uruguay is a market-oriented economy in which the State still plays a certain role. The economy performed well during most of the nineties but shrank in 1998-2003 due to regional instability, a major financial crisis and the dissemination of foot-and-mouth disease. A steep banking crisis in 2002 led to an historic 11% fall in GDP. In mid-2002, a lack of international reserves forced the Uruguayan Government (GOU) to allow the peso to float freely against the dollar. As a consequence of the nearly five-year crisis, per capita GDP fell from \$6,800 in 1998 to about \$3,300 in 2003.

Although Uruguay's sovereign debt was rated Investment Grade from 1997-2001, it was downgraded several notches in 2002 and 2003 to near default levels. In May 2003, the GOU implemented a successful debt swap with private creditors that alleviated its financial pressures and restored public confidence. The economy is expected to resume growth in 2004. GDP is expected to increase 5.0% as a result of high commodity prices for exports, the weakness of the dollar against the euro, growth in Argentina and Brazil, low international interest rates and greater export competitiveness in general. The government has an agreement with the IMF that is valid until March 2005.

Uruguay's economy is extremely dependent on Argentina and Brazil. Uruguay is a founding member of MERCOSUR, the regional trading bloc which includes Argentina, Brazil and Paraguay. The MERCOSUR Secretariat is located in Montevideo.

Imports from the United States fell 66% between 1998-2003, a significant change from the robust 16% annual average growth experienced between 1993-1998. The U.S. exports mostly high-technology goods to Uruguay and imports commodities.

Social indicators remain outstanding by Latin American standards, and some are comparable to those of the United States. According to data from the U.N. Economic Commission for Latin America and the Caribbean, Uruguay had the lowest poverty level and the most equitable income distribution in Latin America in the late 1990s. However, the recent economic crisis has significantly increased poverty and provoked substantial emigration.

The investment climate is generally positive, and about one hundred American firms operate in Uruguay. According to 2002 information from the U.S. Dept. of Commerce, the stock of U.S. investment in Uruguay is equal to \$656 million.

### GENERAL INDICATORS

Area (68,036 sq. miles) and population (3.4 million people) are about the same as Oklahoma.

Type of Government:	Representative Democracy
Annual Population Growth Rate:	0.57%
Montevideo (Capital):	43% of total population
Life Expectancy at Birth:	75 years
Home owners:	66%
Literacy Rate:	97%
Households with access to safe water:	98%
Poverty level (% of households):	15% (2002)
Electricity in 94% of the country	
Absence of ethnic problems	
High Human Development country according to the U.N.	

### REAL SECTOR

**Gross Domestic Product (GDP):** \$11.1 billion (2003, estimate), \$12.3 billion (2002), \$18.7 billion (2001)  
**GDP Real Growth Rate:** +0.5% (2003, est.), -10.8% (2002), -3.1% ('01)  
**GDP Per Capita:** \$3,300 (2003, est.), \$3,700 (2002), \$5,550 (2001)  
**Industrial Production:** 16% of GDP. Declined 2.5% in Jan.-Sept. 2003 compared to Jan.-Sept. 2002. Principal sectors: food, beverages & tobacco, chemicals, textiles, leather processing.  
**Agriculture & Livestock:** 9% of GDP. Grew 7% in Jan.-Sept. 2003 compared to Jan.-Sept. 2002. Large areas devoted to livestock grazing, forestry, sunflower, rice and wheat.  
**Commerce, Restaurants & Hotels:** 12% of GDP. Contracted by 8% in Jan.-Sept. 2003 compared to Jan.-Sept. 02.  
**Other Services:** Approximately 50% of GDP.  
**Budget Deficit (% GDP):** 3.0% (2003, est.), 4.0% (2002), 4.2% (2001)  
**No Personal Income Tax; 23% VAT; 30% Corporate Tax.**

### LABOR

**Labor Force:** 1.3 million  
**Unemployment Rate:** 16.1% (Nov. 2003), 15.9% (Avg. 2002)  
**Official Minimum Wage Rate:** \$43 per month (Nov. 2003)  
**Average Monthly Household Income:** \$430 (Nov. 2003)  
**Unionization:** Under 15.0% of the workforce (estimate)

### EXTERNAL ACCOUNTS

**EXPORTS (F.O.B.):** \$2.2 billion (est. 2003; rose 14% over 2002)  
**Partners:** E.U., Brazil, U.S., Argentina,  
**Commodities:** Meat, Rice, Leather, Wool, Fish, Dairy Products  
**Exports to U.S.:** \$190 million (9% of 2003 total; grew 40% over 2002)  
**Commodities to U.S.:** Meat, Leather, Honey, Cheese, Wood, Fish  
**IMPORTS (F.O.B.):** \$1.9 billion (est. 2003; dropped 5% over 2002)  
**Partners:** Argentina, Brazil, E.U., U.S.  
**Commodities:** Oil & Fuels, Machinery & Equipment, Fertilizers, Wheat, Pharmaceuticals  
**Imports from U.S.:** \$155 mill. (8% of 2003 total; 5% decline over 2002)  
**Commodities from the U.S.:** Computers & Parts, Fertilizers, Radio, TV & Telephony Equipment, Medical Equipment, Medicines.  
**Import Tariffs** vary between 0 and 23%. Mean tariff is 12%.  
**No import quotas apply.**  
**Gross Public External Debt:** \$12.3 billion (Sept. 2003), 110% of GDP  
**Current Account Balance:** +1.5% of GDP (2002), -2.8% of GDP (2001)

### MONEY & PRICES

**Inflation Rate (CPI):** 10.2% (2003), 25.9% (2002), 3.6% (2001)  
**Exchange Rate:** Uruguayan pesos per U.S. dollar = 29.0 (January 2004)  
**M1:** \$600 million (November 2003)  
**Net international reserves:** \$2.1 billion (December 2003)  
**Annual interest rates charged on loans** (January 2004):

	In pesos	In \$
Preferential	28-35	6.8-7.0
Intermediate	35-50	11.0-12.0
Personal	33-60	12.0-15.0